



April 8, 2016

***Via Electronic Mail***

Marcos Brujis  
Global Director  
Financial Institutions Group  
International Finance Corporation  
Washington, D.C.  
[MBrujis@ifc.org](mailto:MBrujis@ifc.org)

**Re: Concerns Regarding the International Finance Corporation's Potential Financing of a Coal Power Generation Plant in Lamu County, Kenya**

Dear Mr. Brujis:

We are a community-based organization, working with Lamu-based communities and representing over 30 organizations from Lamu, Kenya. On behalf of those organizations and the communities they represent, we write to express concerns about the potential involvement of the International Finance Corporation (“IFC”), through a financial intermediary, in financing a proposed coal power generation plant in Lamu County, Kenya. The coal plant has been designed without meaningful community consultation and participation and without due consideration of its high environmental, social and cultural risks. As discussed below, we seek further information and engagement from IFC regarding this project.

**The proposed coal power plant poses grave environmental and social risks**

Amu Power Company Limited plans to construct and operate a 1000MW coal power generation plant on Manda Bay, in Lamu County, Kenya, approximately 20 kilometers from Lamu Old Town, a World Heritage Site with Outstanding Universal Value.<sup>1</sup> Construction is reported to begin in the second half of 2016.

As discussed in the **attached** letter that we recently sent to the project company, the potential impacts of constructing a coal power plant in this environment are great.<sup>2</sup> The proposed site for the coal plant is located adjacent to vitally important coastal mangrove forests and some of the richest marine ecology in Kenya. Lamu is at risk of air, water and land pollution, a decline in

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<sup>1</sup> Lamu Old Town is the oldest and best preserved example of Swahili settlement in East Africa. See “Lamu Old Town - UNESCO World Heritage Centre”, available at <http://whc.unesco.org/en/list/1055>.

<sup>2</sup> These concerns have also been raised by international institutions such as the United Nations Educational, Scientific and Cultural Organization (“UNESCO”), which monitors Lamu Old Town as a World Heritage Site. See

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**Save Lamu**

Tel: 0723-205-998      P.O. Box 314, Lamu 80500, Kenya  
Email: [info@savelamu.org](mailto:info@savelamu.org)      Website: [www.savelamu.org](http://www.savelamu.org)

marine populations and diversity and destruction of critical natural habitats. Population changes, physical and economic displacement<sup>3</sup> and environmental degradation will negatively impact livelihoods, land and food security and damage valuable cultural heritage, including the delicate structures of the nearby Lamu Old Town World Heritage Site.

Community concerns about the future adverse impacts of the proposed coal plant are exacerbated by Amu Power's failure to fully inform affected communities about those impacts and to foster their meaningful participation in the design of the coal plant and in impact avoidance, mitigation and compensation measures. The ESIA for the project, originally due in Spring 2015, still has not been released. Likewise, a Resettlement Action Plan ("RAP") has reportedly been developed but is not publicly available. Information provided to communities has been superficial, inaccessible, inaccurate and unbalanced, and some community meetings have involved reports of possible manipulation of participants through monetary payments. Concerned community members lack information about critical project components and impacts and are not aware of any upcoming opportunities to genuinely participate in the design of avoidance, mitigation and compensation measures for the coal plant's anticipated impacts.

We have previously expressed our concerns in a number of letters and submissions to the project company, other financiers, and the Kenyan government. We have also raised these issues orally in meetings hosted by the same.

## **IFC involvement**

We believe that the proposed coal plant will receive IFC financing through at least one financial intermediary. Specifically, two active IFC financial intermediary clients are reportedly providing support for the coal power plant: Kenya's Equity Bank Limited ("Equity Bank") and the Standard Bank of South Africa Limited ("Standard Bank").<sup>4</sup> An IFC investment of \$180 million to Equity Bank was approved in 2012, of which \$100 million was to be provided as a senior loan and the remaining \$80 million as an equity investment, providing the IFC with exposure to Equity Bank's entire investment portfolio.<sup>5</sup> Additionally, IFC has an active loan to Standard Bank in the amount of \$75 million to finance the banking group's subsidiary operations in nine African countries, including Kenya. The Summary of Project Information specifies that

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<sup>3</sup> The construction and operation of the coal plant will physically and economically displace farmers and their families, who have farmed the land for generations, as well as potentially thousands of artisanal fisherman, including those from indigenous communities.

<sup>4</sup> See "UPDATE 2-Kenya's Centum to start building coal power plant in Dec" (11 Nov. 2015), available at <http://www.reuters.com/article/kenya-centum-invt-idUSL8N13609120151111>; "Centum seeks pension funds to finance Lamu coal plant" (9 May 2015), available at <http://www.nation.co.ke/business/Centum-seeks-pension-funds-to-finance-Lamu-coal-project/-/996/2710864/-/x4rovzyz/-/index.html>; "Gulf Energy and Centum cleared to construct the US\$ 2bn coal power plant in Lamu, Kenya" (21 Jan. 2015), available at <http://constructionreviewonline.com/2015/01/gulf-energy-centum-cleared-undertake-us-2bn-coal-power-plant-lamu-kenya/>.

<sup>5</sup> IFC, "Summary of Proposed Investment: Equity Bank Ltd", available at <http://ifcext.ifc.org/ifcext/spiwebsite1.nsf/78e3b305216fcd8a85257a8b0075079d/f202be699d2dcc478525799e007afc58?opendocument>.

the loan is intended to help expand the group's regional operations, including improving access to high quality banking services and products in respective markets.<sup>6</sup>

In line with its requirements for financial intermediary investments and the principles of accountability and transparency, the IFC has an obligation to identify whether its funds are or will be used to support the proposed coal plant. Where the IFC identifies a financial link to this high-risk project, it must ensure that all relevant Performance Standards are adequately implemented and that all involved financial intermediaries conduct appropriate social and environmental due diligence and apply a sufficiently rigorous environmental and social management system.<sup>7</sup> The community concerns outlined above and in the attached letter indicate that this project risks violating a host of obligations under the IFC Performance Standards, including:

- The project has not met the obligation in **Performance Standard 1** for meaningful, informed consultation that is free of external manipulation, interference, coercion or intimidation, and an environmental and social impact assessment still has not been publicly disclosed, although one was promised over a year ago;
- Publicly disclosed project documents fail to identify efficient measures for use of limited local resources, including potable water resources, or to assess viable alternatives or propose adequate avoidance and mitigation measures to protect local air, land and water from pollution, as required by **Performance Standard 3**;
- Publicly disclosed project documents have not identified adequate avoidance or mitigation measures to address community health, safety and security impacts, including those arising from chemical and particulate matter discharged by the coal plant, as required by **Performance Standard 4**;
- Although the process of allocating land for the project has already begun, a comprehensive Resettlement Action Plan has not been disclosed to local displaced people, as required by **Performance Standard 5**;
- Publicly disclosed project documents have not identified adequate avoidance or mitigation measures to address impacts on local marine life, land mammals and avian species, including from the discharge of massive quantities of cooling water into a nearby channel and bay, as required by **Performance Standard 6**;
- Project representatives have not obtained the free, prior and informed consent of local affected indigenous groups, as required by **Performance Standard 7**; and
- Publicly disclosed documents have not adequately identified the impacts of the proposed project on local cultural heritage, nor have they described adequate protection measures to address these impacts, as required by **Performance Standard 8**. Compliance with this standard is of particular importance given the proximity of the proposed project to the Lamu Old Town Cultural World Heritage Site.

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<sup>6</sup> IFC, "Summary of Project Information: Standard Bank MCF", available at <http://ifcext.ifc.org/ifcext/spiwebsite1.nsf/78e3b305216fcd8a85257a8b0075079d/f31787c7be82684e852576ba000e2872?opendocument>.

<sup>7</sup> See IFC, Interpretation Note on Financial Intermediaries at IN10, 20, available at [http://www.ifc.org/wps/wcm/connect/38d1a68049ddf966af3cbfda80c2ddf3/InterpretationNote\\_FIs\\_2012.pdf?MOD=AJPERES](http://www.ifc.org/wps/wcm/connect/38d1a68049ddf966af3cbfda80c2ddf3/InterpretationNote_FIs_2012.pdf?MOD=AJPERES).

## **Request for further information and engagement by IFC**

Given the high environmental and social risks posed by the proposed coal plant, we request that IFC:

1. Expressly and immediately request Standard Bank and Equity Bank to confirm whether they have provided, or are considering providing, financial or other support to Amu Power, its joint venture owners,<sup>8</sup> or any other entity<sup>9</sup> associated with the proposed coal plant;
2. Convey, to all financial intermediaries who have supported or are considering supporting the proposed coal plant, the community's concerns as outlined in the attached letter;
3. Carefully monitor the activities of any financial intermediary providing support to the proposed coal plant to ensure appropriate steps are undertaken to meet all Performance Standard obligations, especially given the high-risk nature of the project and the host of concerns already communicated;
4. Respond, by return correspondence, with answers to the following questions:
  - a. Is Standard Bank and/or Equity Bank considering providing, or have they provided: (i) financing or (ii) other support to Amu Power or any other entity associated with the proposed coal plant? If yes, please provide details;
  - b. Is any other financial intermediary client of IFC considering providing, or have they provided: (i) financing or (ii) other support to Amu Power, related companies, or any other entity associated with the proposed coal plant? If yes, please provide details;
  - c. Has IFC been approached for financing or other assistance in any way associated with the proposed coal plant? If yes, what is the status of any request?
  - d. How will IFC monitor its financial intermediary lending to ensure that: (a) it is aware of any client considering providing financing or other professional services associated with the proposed coal plant; and (b) any financing or other support meets the obligations imposed by the Performance Standards and the Sustainability Framework more generally?
  - e. Please confirm the risk category assigned to IFC's support to Equity Bank (which we were not able to find in publicly disclosed documents) and Standard Bank (which we understand to be FI-1, but wish to confirm).

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<sup>8</sup> Including: Centum Investment Company Limited and Gulf Energy Limited.

<sup>9</sup> Including potential contractors (such as KPLC, Power Construction Corporation of China, Sichuan Power Design & Consulting Company Limited, Sichuan No. 3 Electric Power Design & Consulting Company Limited and CHD Power Plant Company Limited), and other potential investors (Industrial & Commercial Bank of China and Standard Chartered Bank of Kenya Limited). This list is non-exclusive.

We look forward to engaging with you further on this matter.

Sincerely,



Abubakar Mohamed Ali  
Chairman  
Save Lamu

Attachment

Cc:

Irene Arias, IFC, [iarias@ifc.org](mailto:iarias@ifc.org)

Aliou Maiga, IFC, [AMaiga1@ifc.org](mailto:AMaiga1@ifc.org)

Morgan Landy, IFC, [mlandy@ifc.org](mailto:mlandy@ifc.org)

Aaron Rosenberg, IFC, [arosenberg1@ifc.org](mailto:arosenberg1@ifc.org)